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SUBJECT: AMBASSADOR ENGAGES MILITARY, CIVIC AND COMMERCIAL LEADERS
OF DAVAO AND DATU PAGLAS

¶1. SUMMARY: On July 5 and 6, the Ambassador, JUSMAG, DAO and Commercial Counselor traveled to Davao, Mindanao. The visit highlighted the "one Mission" approach to Mindanao with military, commercial and public diplomacy outreach in the heavily-Muslim region where safety and security threats continue to limit outside involvement. The Ambassador visited sites in Davao and Datu Paglas including the Rotary Club of Davao, La Frutera, Inc. and the Bonawan Irrigation Structure. END SUMMARY.

ORCHID CAPITAL OF THE PHILIPPINES

¶2. Known as the orchid capital of the Philippines, Davao is the commercial, agricultural, and tourism center of Mindanao. The city of 1.3 million residents is the largest in the Philippines in terms of area. The city's infrastructure is undergoing major modernization, but agriculture drives the economy. Banana, coconut, pineapple and coffee products transit from the seaports in Davao to both domestic and foreign consumers.

DATU PAGLAS

¶3. Datu Paglas is a Muslim town located in Maguindanao Province, internationally recognized as a model for transformation of conflict areas. Under its current mayor, the town transformed from a Moro Islamic Liberation Front (MILF) stronghold to a magnet for international investment. The mayor eradicated much crime and hired former guerillas to work at the local banana plantation, La Frutera, Inc. The plantation receives funding from a number of foreign investors including Chiquita Unifrutti of Cincinnati.

VISIT TO EAST MINDANAO COMMAND

¶4. The Commander of Armed Forces of the Philippines (AFP) Eastern Mindanao Command briefed the Ambassador, JUSMAG, DAO, and JSOTF-P representatives at its temporary headquarters in Davao. AFP recently divided its Southern Command into Western and Eastern Mindanao Commands. Operations in the Western Mindanao Command (WESTMINCOM) focus on threats from Abu Sayyaf Group (ASG) and Jema'ah Islamiyah (JI) primarily in the Sulu Archipelago while Eastern Mindanao Command (EASTMINCOM) addresses threats from MILF splinter groups and the New People's Army (NPA). EASTMINCOM stated that their goal is to eliminate the Communist Terrorist Movement (CTM) by 2010.

¶5. The area remains dangerous due to insurgent activity although EASTMINCOM has succeeded in reducing enemy capabilities. In response, guerillas and splinter groups have increased attacks on soft targets in the area of operations. There have been 12 recent bombings in EASTMINCOM's area of responsibility, most recently the June 15th Weena bus bombing which left 8 dead and 19 injured. Officials believe the bus company's refusal to pay a "revolutionary tax" triggered the attack. Contacts within the local community also indicate that these attacks aim to disrupt the GRP-MILF talks and perhaps increase recruitment to the cause of the threat groups.

¶6. According to the EASTMINCOM Commander, the greatest benefit of

AFP's presence is the reduced ability of the threat groups to communicate. They have difficulty meeting in person or ingratiating themselves with locals, and usually forced to communicate only by mobile phone. When questioned, the Commander stated that there is no evidence that the MILF has recently received foreign support or arms. He also noted that because the NPA continues to finance itself illegally with revenue taken from illegal logging, agriculture and mineral extraction, it remains unmotivated to join in the peace process.

BUSINESS AND CIVIC ENGAGEMENT

¶7. The Ambassador gave the keynote address at the Annual Induction of Officers of the Rotary Club of Davao. She urged business and civic leaders to play a part in the peace process in Mindanao, pointing out that their success is evidence that peace results in increased levels of investment and community prosperity. Members from the 20 Rotary Clubs in Davao and its suburbs attended the event.

¶8. The Commercial Counselor visited American businesses and the Chamber of Commerce to promote the American Showcase in Davao, a Commercial Service exhibit in October that will feature American products and agribusiness.

¶9. On July 6, the Ambassador toured the Unifrutti Banana Plantation in Datu Paglas and was briefed by the Chairman of Unifrutti Philippines and the Managing Director for Philippine Operations of Chiquita-Unifrutti Asia. The Chairman explained that the Datu, the local tribal leader, plays a critical role in the plantation's success. In this area of Southern Mindanao, society remains feudal

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and the local people consider the Datu to be the absolute authority in all matters. In addition to serving as the mayor, the Datu is CEO and President of the Datu Paglas Corporation, the primary local investor in the plantation. The plantation's operating procedures mesh local culture with international business practices. Workers follow a 4 day per week rotating schedule and the workforce changes daily as the heads of each local family send different family members to work each day. When the company realized that firing workers without obtaining the Datu's permission was culturally unacceptable, they gained local support by hiring his sister to work in Human Resources since that lent royal authority to personnel decisions of the company.

¶10. The Chairman also provided insight into Asian market banana standards which divides bananas into different classes. For example, Japan will only purchase perfect Class A bananas as does Korea to a lesser extent. China on the other hand would accept all classes, but they are a large producer and do not need to import as much as the other countries. Finally, the Middle Eastern countries will accept any class of banana.

DEVELOPMENT PROJECTS

¶11. Outside of Datu Paglas, the Ambassador traveled via tractor to formally turn-over the Bonawan Irrigation Structure to the Lower Bonawan-Maybula Irrigator's Association, whose 120 members will directly benefit from the project. The \$22,000 USAID project will help the Association maximize production on its 400 hectares of farmland. A crowd of villagers turned out to see the town mayor and the Ambassador formally open a sluice that will more efficiently control the flow of water into the farmers' fields.

¶12. In Davao Ambassador witnessed the signing of grants between USAID and six business sector organizations to establish and strengthen family health programs in the workplace. USAID's PRISM Project announced the release of grants totaling USD 223,623 and total contributions from the business organizations reached USD 90,106. Local dignitaries including the Representative from South Cotabato attended the event.

MEDIA COVERAGE

¶13. Media coverage of the trip was extensive and favorable. The Ambassador did interviews on both major Philippine television networks. She appeared live on a local news and variety program and taped a longer interview for an evening news program. In both appearances, the Ambassador highlighted USG involvement in Mindanao. Additionally, she addressed the Davao media during a short interview at the grant signing ceremony.

KENNEY